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TRADE CONDITIONS IN LATIN AMERICA AS AFFECTED BY THE EUROPEAN WAR

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Much has been said in the public prints and in public utterances as to the opportunities for the extension of our trade with Latin America. An almost equal amount has been printed and otherwise circulated with reference to Latin American commercial conditions as affected by the war in Europe. Special emphasis has been laid on the disastrous effects of the war and it is often stated that the financial and commercial conditions in Latin America are so bad that American manufacturers and exporters are not warranted in soliciting trade there at the present time.

What the business world desires in this matter is not opinions but facts—definite concrete facts—as to the actual present-day commercial conditions in Latin America. It is then the privilege of each business man to formulate his own opinions and depend on his own judgment as to whether he desires to take up the active development of Latin American trade today, tomorrow, or at any time in the future.

Let us consider then in the brief time at our disposal, three sets of facts: (1) the general economic situation of the Latin American countries; (2) the immediate effects of the European war upon the Latin American countries; and (3) the recovery, if any, which has been effected up to date. The facts which I shall present are based largely on first-hand information which has been received by the bureau of foreign and domestic commerce from our own commercial attachés and commercial agents who are stationed in Latin America, and from the American consuls and the department of state.

I. The great sensitiveness of Latin American countries to disturbances in Europe and the close interrelation which has existed between the two sections were graphically illustrated two years ago, when the trouble in the Balkans, involving directly only a few small nations in the east of Europe, was sufficient to cause a decided de-

pression over practically all of Central and South America. In some countries it checked a tide of prosperity that had been running high for several years, and in others helped to bring about a liquidation that continued until the outbreak of the present war. It can be realized, therefore, how tremendously the great war, involving all the major powers of Europe, has affected the economic and commercial life of the various South and Central American countries. Although they are separated from the scene of hostilities by 7,000 miles of ocean they were much more severely affected than the nations contiguous to the warring nations. The commerce of Latin America was cut in half, immigration ceased, industry was temporarily paralyzed, thousands of men were thrown out of employment, and all public improvements, except those absolutely indispensable, were suspended.

The reason for the strong and sudden check to every line of activity is to be found in the closeness of the ties that have heretofore bound all the countries of South America, and to a less extent those of Central America, to the great European nations—England, Germany, France, Spain, Belgium, and Italy. It is only recently that the United States has awakened to the strength of those ties, and has come to realize that the growing countries to the south of us are much more closely related to Europe, except perhaps in form of government, than they are to the United States.

The ties between Europe and Latin America are of two kinds, financial and commercial. In both they have been strengthened because of the basic fact that the interests of Europe and South America have been reciprocal. Europe has capital to invest, South America needs capital for development. Europe has manufactures and coal to sell and South America must obtain them from abroad. Europe desires to purchase foodstuffs and raw materials, and South America has an abundance of both to dispose of. It is this fundamental reciprocity of commercial interests that has caused the South American countries to feel so heavily the shock of the war.

In at least three of the largest countries loans involving millions of dollars were in process of negotiation at the outbreak of the war. Negotiations closed at once and no loans were obtained. The impossibility of getting further loans has called a halt on nearly all important projected public improvements and private enterprises. Further development of the rich resources of the continent

must await the accumulation of European capital after the war or the aid of the United States.

The nitrate, coffee, cocoa, hides, tin and rubber of South America have been largely marketed in Europe. On the first of August the European market practically ceased to exist. The vast producing sections of South America were without an outlet for their products. Their chief sources of income were unsalable or salable only at greatly reduced prices. The only hope was in the United States, which at first could absorb but limited quantities of products the consumption of which had heretofore been world-wide.

But all sections of South America do not suffer to the same degree from the lack of a market for their products. Some products are in great demand. Let us hurriedly run over the principal exports of the various countries of the continent: Argentina exports cereals, hides, meat and wool; Uruguay, grain, wool and other livestock products; Paraguay, hides and forest products; Chile, nitrates, copper, wheat and wool; Bolivia, tin, rubber, silver and copper; Peru, sugar, rubber, cotton, silver and copper; Ecuador, cocoa and tagua; Colombia and Venezuela, coffee, gold and hides; the Guianas, sugar; Brazil, coffee, rubber, hides and cocoa. Of these, cereals, meat, wool, sugar and copper are in great demand across the sea. The other products are in little demand and have been left in the hands of the miners and planters. The result is that in a few sections the currents of trade are again running strong and optimism prevails, while in others trade, finance, and enterprise are still marking time, with small prospects of marked revival until the war ends.

II. The continent of South America may be conveniently divided into four general sections, in each of which similar conditions prevail. These are: (1) the River Plate section, including Argentina, Uruguay and Paraguay; (2) the West-Coast section, Chile, Bolivia, Peru and Ecuador; (3) the North-Coast section, Colombia, Venezuela and the Guianas; and (4) Brazil.

As compared with South America the countries of Central America are of much less importance. They need hardly be considered separately because in products, internal conditions, shipping facilities, climate, and general character they are very similar to the north-coast countries of South America.

In normal times the River Plate section is the region of the greatest commercial activity. For example, in 1912, the total import

SOUTH AND CENTRAL AMERICAN COMMERCE WITH EUROPE AND THE UNITED STATES

Items	United States, per cent of total	Principal countries Europe, per cent of total
Argentina, 1913:		
Imports	14.7	72.
Exports	4.7	56.4
Corn (a) . . . . .	.4	27.5
Wheat (a) . . . . .	.4	46.8
Wool (a)	10.2	88.8
Oats (a) . . . . .	.1	78.7
Meats (b) . . . . .	....	....
Brazil, 1913:		
Imports	15.7	62.2
Exports	32.5	48.4
Coffee (a)	42.1	39.6
Rubber (a)	50.4	49.6
Ox hides (a)	3.6	89.6
Venezuela, 1913:		
Imports (c)	38.5	46.8
Exports (c)	28.7	57.5
Coffee	31.2	68.
Cacao	14.3	44.3
Peru, 1913:		
Imports (c)	28.8	63.1
Exports (c)	33.2	63.1
Copper (d) . . . . .	....	....
Cotton (d) . . . . .	....	....
Sugar (d) . . . . .	....	....
Chile, 1913:		
Imports (c)	16.7	67.5
Exports (c)	21.0	70.4
Nitrate	21.4	71.8
Copper	55.6	43.2
Wool . . . . .	.04	99.1
Bolivia, 1912:		
Imports	9.3	64.5
Exports . . . . .	.5	98.
Tin	0.02	99.8
Rubber	2.3	97.4
Ecuador, 1911:		
Imports	23.6	59.88
Exports (e)	23.6	64.40

SOUTH AND CENTRAL AMERICAN COMMERCE WITH EUROPE AND THE UNITED STATES—*Continued*

Items	United States, per cent of total	Principal countries Europe, per cent of total
Ecuador, 1911:		
Cacao.....	19.2	72.80
Hats.....	18.9	72.18
Coffee.....	31.9	22.40
Uruguay:		
Imports, 1910.....	10.6	70.24
Exports, 1912.....	5.4	65.91
Wool, 1910.....	3.3	84.34
Hides and skins, 1910.....	17.3	74.98
Meat and meat extracts, 1910.....	.2	34.78
Paraguay, 1912:		
Imports.....	6.	68.12
Exports (f).....	.01	60.64
Colombia, 1913:		
Imports (c).....	28.3	57.38
Exports (c f).....	55.	27.92
British Guiana, 1912 (year ended March 31):		
Imports.....	25.9	49.58
Exports.....	20.3	25.59
Raw sugar.....	23.7	13.58
Balata gum.....	19.3	80.70
Rum.....	....	89.54
Dutch Guiana, 1911:		
Imports.....	26.1	1.90
Exports.....	40.8	5.77
Balata gum.....	19.6	.65
Sugar.....	52.2	1.49
Cacao.....	93.3	2.52

(a) Figures for 1912.

(b) Figures for 1914 meat shipments show United States took following per cent of exports: frozen beef, 11.2 per cent; chilled beef, 17.9 per cent; mutton, 7.2 per cent; lamb, 15 per cent. Practically all the rest went to Europe.

(c) Figures include gold and silver.

(d) In 1909, the latest year of record, the United States took 81 per cent of Peru's exports of copper, 10 per cent of cotton, and 8 per cent of sugar.

(e) Includes so-called "optional orders."

(f) Figures of exports by articles and countries not available for a recent year.

trade for the continent of South America was \$965,123,000, and the import trade of the River Plate countries was \$427,533,000. Out of a total South American export trade of \$1,178,829,000, these countries had \$518,070,000. Out of a grand total trade of \$2,143,952,000 for all of South America, the River Plate was credited with \$945,603,000, or almost half. In spite of their strong commercial positions these countries were, at the end of July, in no position to withstand the shock of a catastrophe such as the war in Europe. When the war began Argentina was undergoing a heavy liquidation and the business of both the other countries was affected by it. This liquidation had been made necessary because of the overcapitalization of the country and the eagerness of speculators to realize big profits from its rapid development. Although only about a fifth of the arable land of the country is as yet under cultivation, the expansion over new territory in the last decade or two has been rapid. Trade and commerce have experienced a corresponding expansion. This has resulted in the building up of large fortunes and has stimulated speculation in land to such an extent that values rose beyond the point which even the rapid progress of the country could sustain. Liquidation was thus inevitable and it became pronounced about the beginning of 1913. All through that year the depression prevailed and was at lowest ebb about the close of last July, when the coming of the war deepened it still further. The process of liquidation and the effect of the war conditions are graphically shown by the figures for commercial failures in the various months of 1913 and 1914:

COMMERCIAL FAILURES IN ARGENTINA

	1913	1914
January.....	\$1,884,902	\$7,154,979
February.....	2,553,966	13,105,001
March.....	3,789,540	12,382,677
April.....	7,894,399	10,468,472
May.....	4,244,050	15,257,975
June.....	10,144,167	10,613,880
July.....	7,597,110	12,409,360
August.....	6,823,957	36,774,289*
September.....	4,006,942	17,195,420
October.....	6,505,357	21,254,864
November.....	10,141,258	12,808,200
December.....	7,749,897	13,209,505

* It should be explained that the high mark for August, 1914, was due in part to the failure of the French Bank of the River Plate, which has since opened its doors without loss to depositors or stockholders.

The news of the European conflagration practically put a stop to all business activity and for weeks trade and commerce were practically paralyzed. Foreign trade, on which not only the prosperity and advancement but almost the whole business life of Argentina depend, dropped to nearly nothing. Shipping that had been en route at the time war broke out came in and remained idle in the ports. Industry of all kinds was suspended. The large meat-freezing establishments stopped work and discharged practically all their employees. Public improvements were discontinued. The efforts of Argentina to raise a loan of \$77,000,000 for the purpose of reorganizing the sanitation system of Buenos Aires were frustrated. It was later necessary to float a loan of \$15,000,000 in the United States to pay back advances which had been made in connection with this work. Exchange operations came to a standstill and no regular quotations were made for months. There was of course no trading in stocks and even the government securities, unquestionably sound, fell many points.

Emergency measures taken by the authorities included the declaration of a bank holiday on August 2, which lasted eight days, and the declaration of a moratorium covering all of August. The Conversion Office was closed and gold was no longer given in exchange for paper. This office is still closed and may remain so until the end of the war. The exportation of gold from the country was forbidden by law, and an embargo was laid on the exportation of flour and wheat, which was not removed until December. Measures were taken to relieve unemployment by starting work on the highways wherever possible, opening the large Immigrants' Hotel, and establishing soup kitchens. A large issue of paper money was authorized, and legations and embassies of Argentina in foreign countries were directed to receive deposits of gold, against which equal amounts of paper money might be obtained from the Conversion Office in Buenos Aires. In this way the difficulty of shipping gold or of paying high exchange was obviated. In October an international moratorium was declared, releasing debtors during its continuance from the obligation of paying debts arising from commercial transactions with countries at war or under moratoria. This provision is still in effect and will probably remain in effect until the close of the war.

The commercial effect of the outbreak of the war is strikingly shown by the decrease in the principal exports:

DECREASE IN PRINCIPAL EXPORTS OF ARGENTINA

Exports for week ending	Wheat Metric Tons		Corn Metric Tons		Linseed Metric Tons	
	1913	1914	1913	1914	1913	1914
August 21.....	14,490	8,385	119,045	23,711	18,641	1,819
August 28.....	13,318	....	156,422	27,455	12,728	2,046
September 24.....	4,242	1,734	113,205	83,238	12,212	6,254
	Oats Metric Tons		Wool Bales			
	1913	1914	1913	1914		
August 21.....	989	600	127	....	
August 28.....	575	630	778	77		
September 24.....	5,473	326	1,413	200		
	Meat, Frozen and Chilled					
	Chilled beef quarters		Frozen beef quarters		Mutton carcasses	
	1913	1914	1913	1914	1913	1914
August 28.....	53,674	6,822	13,681	5,168	14,860	1,051
September 24.....	50,204	49,745	9,917	54,911	453	25,699
	Lamb carcasses					
	1913	1914				
August 28.....	10,744	1,000				
September 24.....	1,400	16,095				

An even more graphic illustration of the effect of the war on the trade of the country is that of the figures showing customs receipts at Buenos Aires for the first weeks of the war as compared with the corresponding weeks in 1913:

DECREASE OF CUSTOMS RECEIPTS AT BUENOS AIRES

Week ended	1913		1914	
	Paper	Gold	Paper	Gold
August 7	\$3,668,177	\$48,286	\$1,130,501	\$16,749
August 14	3,933,219	81,324	....	....
August 21	3,196,412	27,701	3,851,598	2,069
August 28	3,937,137	44,143	2,553,312	....
September 4	3,144,098	31,400	1,765,495	....
September 11	3,047,197	43,074	1,911,563	....

It should be noted that the customs receipts collected at the Buenos Aires custom house comprise a very large part of those collected in the whole country, and show the dropping off in imports. The receipts did not increase during the rest of the year.

It will be unnecessary to consider the immediate effects of the war on Uruguay. They were in general similar to those of Argentina, as the situation and products of the two countries are so similar.

In Brazil the first effects of the war were even more serious. Here, as in the River Plate section, the blow fell just when the country was in the midst of a severe depression which had lasted since the beginning of 1913. It had been brought about by general extravagance, both national and individual, which followed several years of almost feverish prosperity; by the Balkan wars and the consequent difficulty in getting credit and loans in Europe; by uneconomical management of public finances; and by the decline in the prices of rubber and coffee, the two great staples of the country. This depression unlike that in Argentina had been attended by very few commercial failures, owing largely to the praiseworthy co-operation between the banks and the mercantile houses. It had shown itself rather in the almost total lack of fresh enterprise and industrial activity, in the increasing financial difficulties of the government and the continued necessity for raising new loans. The government was just about to conclude arrangements with the Rothschilds for flotation of a large new loan which would have involved the entire reorganization of governmental finances when the outbreak of the war summarily ended the negotiations. It is under-

stood that this arrangement included a plan by which the Rothschilds were practically to assume control of the paper currency of the country. The situation, already serious, was rendered almost dangerous by this turn of events, and Brazil has not yet been able to find a way out.

The immediate results of the war were as in Argentina the paralysis of industry and shipping, and the suspension of foreign trade. The shutting off of imports was beneficial, as it helped to regulate exchange and enforced economy. The drop in the export trade, however, especially in coffee, was little less than disastrous. Upon the sale of this crop depends not only the individual prosperity of the planters but also the maintenance by the government of the exchange rate on its paper. This exchange rate is subject to extensive fluctuations, due to the fact that, except for a small part of the paper currency, it is not maintained by a permanent conversion fund and depends largely on the continued building up of credits abroad through sales of coffee. Shortly after the beginning of hostilities the rate of exchange began to decline, and from a normal rate of sixteen pence or thirty-two cents per milreis it fell to eleven pence. Dire predictions were made that it would go as low as six or eight pence, but instead there was a recovery and it reached fourteen and one fourth pence. This recovery was only temporary, however, and it again declined. On February 23 the exchange rate was twelve and one half pence per milreis. The decline of exchange was materially assisted by the authorization of an issue of \$80,000,000 of new paper money, although the country was already carrying a heavy load of inconvertible paper. Observers at present regard the issue of still further amounts of paper money as inevitable, and if this comes to pass the exchange rate will receive another downward thrust.

Commercially, Brazil benefited greatly in the months following the outbreak of the war through its heavy trade with the United States. This alone prevented the entire loss of one-half or three-fourths of the foreign trade. There was a considerable falling off in the exports of everything except sugar.

The exports of Brazil for the five months of the year following the beginning of the war were only \$76,000,000 as compared with \$164,000,000 for the corresponding period of the previous year, although the export trade up to August had been about normal.

Imports for this period showed an even heavier decline, amounting to only \$42,000,000 as compared with \$127,000,000 for August-December 1913 and \$137,000,000 for the corresponding period of 1912. It should be noted, however, that the imports had fallen off in the first part of the year, amounting to \$130,000,000 from January to July as compared with \$200,000,000 for the first seven months of 1913.

PRINCIPAL EXPORTS FROM BRAZIL

Articles	1913			1914		
	August	September	August and September	August	September	August and September
Coffee.....	{ sacks ... 1,132,120	1 590,258	2,722,378	396,333	832,756	1,229,089
	{ value ... \$17,943,303	\$21,680,394	\$39,623,697	\$4,389,634	\$9,958,443	\$14,348,077
Rubber.....	{ pounds ... 4,791,952	4,899,600	9,691,552	3,333,095	5,716,856	9,049,951
	{ value ... \$2,712,451	\$2,762,462	\$5,474,913	\$1,627,384	\$2,720,910	\$4,348,294
Yerba maté (Paraguayan tea).....	{ pounds ... 13,034,377	15,801,331	28,835,708	12,874,611	11,366,168	24,240,779
	{ value ... \$1,090,663	\$1,316,391	\$2,407,054	\$783,824	\$766,839	\$1,550,663
Hides.....	{ pounds ... 5,747,386	3,990,730	9,738,116	1,361,602	3,817,317	5,178,919
	{ value ... \$806,221	\$796,272	\$1,596,493	\$175,068	\$424,472	\$599,540
Cacao.....	{ pounds ... 6,276,734	6,756,235	13,032,969	2,168,165	3,914,737	6,082,902
	{ value ... \$731,974	\$791,706	\$1,523,680	\$225,873	\$404,805	\$630,678
Cotton.....	{ pounds ... 3,318,757	5,862,322	9,181,079	439,806	676,014	1,115,820
	{ value ... \$438,880	\$744,158	\$1,183,038	\$55,659	\$90,257	\$145,916
Tobacco.....	{ pounds ... 3,497,527	4,678,557	8,176,084	219,666	1,339,730	1,559,396
	{ value ... \$429,047	\$505,455	\$934,502	\$29,771	\$173,021	\$202,792
Skins.....	{ pounds ... 448,160	977,753	1,425,913	358,730	768,362	1,127,092
	{ value ... \$230,397	\$523,316	\$753,713	\$179,598	\$316,390	\$495,988
Sugar.....	{ pounds ... 103,492	84,887	188,379	11,422	5,072,034	5,083,456
	{ value ... \$2,786	\$3,391	\$6,177	\$757	\$156,977	\$157,734

The almost desperate situation in which Brazil was placed by the sudden closing of foreign sources of loans, the withdrawal of invested capital, the obvious impossibility of getting fresh supplies of capital, the wiping out of a large part of the market for its chief commodities, and the derangement of shipping facilities, called forth as in other countries a number of emergency measures which have made possible the temporary weathering of the storm. A bank holiday and a moratorium were declared. The latter was twice extended and lasted until the middle of March. The Office of Conversion, which maintained a gold reserve for redeeming a small percentage of the currency, was closed. The semi-official Banco do Brasil, however, was permitted to exchange notes for gold, and did so to such an extent that a reserve of \$50,000,000 on July 31 was

reduced to about \$30,000,000 on March 1. The issue of the \$80,000,000 of paper referred to was authorized, and steps were taken looking to the prevention of the exportation of gold from the country.

These measures did not, however, remove the fundamental difficulty in the situation. This difficulty was the unsound financial position of the government, which for several years had been covering annual deficits by new loans, and which on the failure to obtain the proposed loan from Rothschild & Co., found itself without the means either of meeting its obligations abroad or satisfying creditors at home. The Banco do Brasil was forced to ship considerable amounts of gold to England to cover exchange requirements and could give no assistance to the government in meeting its interest obligations. The result was that the government was unable to pay \$7,000,000 worth of treasury bills due in London, August 21, and was obliged to fund these obligations by issuing new one-year bills at 107, with 1 per cent commission for the exchange. Again in October the government was unable to meet interest and sinking fund payments on its external debt and was forced to fund these also into new loans, secured by a guarantee on the customs revenue. Finally the floating debt due to creditors in Brazil itself could not be paid, thus intensifying the seriousness of the business situation. No way out has yet been found and it is this situation which more than any other, even including the lack of a market for coffee and rubber, is causing the pessimism in the business circles in Brazil.

In the west-coast countries the war has produced varying effects because of differences in the economic resources of the different countries and because some were fortified by sounder financial conditions than others. At first there was the same paralysis of business that obtained on the east coast. During the entire month of August (except perhaps in Ecuador), a state of confusion and uncertainty existed. This was particularly true of industrial establishments, which were either entirely closed or run on part time. Unemployment became a serious problem, the solution of which engaged the attention of the various governments although the measures taken afforded only comparatively small relief. Embargoes were placed on the exportation of foodstuffs and this had a beneficial effect on prices. In none of the west-coast countries, however, is the commercial and industrial life so highly developed

as in the River Plate countries or Brazil. Hence the forced readjustment was rendered somewhat easier.

The prosperity of the west-coast countries, like that of the rest of South America, depends very largely on the continued exportation of a few principal products. In Chile the keynote to the situation is the trade in nitrate. A great part of the nitrate produced in Chile is exported to continental Europe where it is used in agriculture. The war practically eliminated this market and there is no likelihood that normal trade conditions can be attained until after the cessation of hostilities. The extent to which Chile was affected by the war will be realized when it is stated that the exports of nitrate amount to practically three-fourths of all the exports of the country. Out of a total of \$142,801,556 worth of domestic exports in 1913, nitrate composed \$111,454,397.

EXPORTS OF NITRATE FROM CHILE, 1913

Exports to	Spanish quintals (101.4 pounds)
Great Britain (including shipments for orders) ..	21,847,342
Germany	13,680,368
France	2,640,676
Spain	147,725
Belgium	2,580,198
Holland	2,182,410
Italy	232,236
United States	13,712,783
All other countries	2,505,372
Total exports of nitrate	59,529,110

This means not only that the owners of the nitrate lands and factories had their income cut off and that thousands of laborers were thrown out of employment, but that the government revenue was radically reduced. The export taxes on nitrate have amounted to about \$30,000,000 annually and have yielded over 60 per cent of the national revenue. Customs receipts showed a decrease of \$11,683,000 or 23 per cent in the first eleven months of 1914 as compared with the corresponding period of 1913. In August and September the customs revenues were only, \$8,313,000 as compared with \$12,421,000 in 1913, a loss of 33 per cent. This may be expected to continue with perhaps only slight improvement, while

the war lasts, unless the country can quickly turn to the development of its latent mineral and agricultural resources.

The unemployment situation was particularly severe. The northern part of the country, in which nitrates are produced, is a rainless desert which has no other resources. When nitrate production ceased, there was no means of earning a livelihood or providing the necessities of existence, either water or food, both of which must be imported. The result was that many villages were practically depopulated and thousands of working men and their families were forced to leave and go to the southern sections of the country. The problem of unemployment was thus rendered much more acute in the agricultural and mining regions of the country. Although some government measures were taken looking to relief, the problem remains a serious one.

The general situation in Chile is rendered much more serious by the lack of a stable currency. In spite of the fact that for years the country has had a bountiful source of revenue, it has failed to put its currency system on a sound basis. The result has been a continual fluctuation in exchange. Speculation in paper is the principal business of the stock exchange. Several attempts to remedy this situation have met with the opposition of the large landholders and employers of labor who find it to their advantage to export their products for gold and pay their domestic obligations in depreciated paper. At the beginning of the war, however, a plan was being put into execution to establish a conversion office and stabilize the currency. This plan was to have gone into effect January 1, 1915, and supplies of gold were being brought into the country for that purpose. The war, of course, made the execution of this plan impossible. The result has been great fluctuations in the value of the paper peso. From a normal value of twenty cents it had fallen to nineteen cents shortly before the war. By September 16 it was down to thirteen and one half cents, the next week it rose to sixteen cents, in October and November it fell again to fifteen cents. Since that time its value has been erratic.

Among the emergency measures taken by the government were: the sale of two war vessels building in Great Britain and other vessels, which were said to have brought in a total of \$25,000,000; the issue of \$20,000,000 worth of one-year treasury bills bearing no

interest and guaranteed by the supplies of gold which had been collected to carry out the conversion scheme; the reduction of all government salaries and other economies and retrenchments; and the proposal of new taxes on inheritances, property, and salaries and the increase of taxes on beer, alcohol and tobacco. These measures have been of assistance in steadying the business situation but the fact that the principal financial support of the government and of the productive interests of the country have failed makes readjustment a more drastic and far-reaching process than in the other countries. There is no question that Chile has been hard hit by the war and it will take months or years for her to entirely recover.

Peru is rich in minerals, and mineral production is an important source of revenue. Its chief mineral product, copper, has been in constant demand. The largest single item of export, however, is sugar, which has commanded high prices. Among its important minor products is wool, for which record prices are now being paid. Peru, therefore, was not basically in a bad position. The principal immediate effect of the war was an industrial paralysis. Many factories closed down entirely and others discharged a large percentage of their employees. In most cases this was due to the lack of immediate capital to carry on manufacture. The customs receipts, like those of other countries, showed a considerable falling off and in 1914 amounted to only \$4,699,000 as compared with \$6,483,000 in 1913, a decrease of about twenty-seven per cent. There was a deficit of \$462,000 in the year's budget. An important feature of the situation, however, has been the fact that foodstuffs have remained cheap and that an embargo placed on their exportation temporarily lowered prices. This together with the action of the government in providing work on railway construction has to a limited extent relieved the unemployment situation. The curtailment of copper production has had a depressing effect. In one respect the country was in a good position to meet the crisis—it had no paper money in circulation except that issued by the banks on their own responsibility. The government was, therefore, able to authorize the banks to issue \$5,353,000 in the middle of August to be secured by a 35 per cent deposit of gold and the rest by securities. In October another issue of notes to the amount of \$5,353,000 was authorized. These notes drove gold and silver out of circulation

but the government met the situation by passing a law on November 3 forbidding the sale of gold at a premium. The exportation of gold and silver was also forbidden. A thirty-day moratorium was declared on August 7, was extended several times, and is now effective for an indefinite period. While there are a number of features in the situation in Peru which make for stability, the country can hardly be considered wealthy except in latent mineral resources. It is only in the last ten or fifteen years that Peru has been making economical progress and it has yet a good way to go before it attains healthy conditions of national growth.

Bolivia, from the time when the first white man set foot on its soil, has been a producer of minerals, and with a limited amount of rubber and other forest products, these have continued to form practically its sole output. Until ten or a dozen years ago silver held the center of the stage but the rise in the price of tin has made the mining of that metal more profitable.

Bolivia has depended almost entirely on its tin and to a lesser degree on silver. No tin has been smelted in the United States. This has been a European industry. The United States, however, is the greatest consumer of tin in the world. If, therefore, some provision can be made whereby the tin ore can be smelted in this country, normal conditions will be restored in Bolivia and a new industry begun in the United States. This readjustment has not yet been effected and Bolivia has continued to feel the paralysis of its export trade which followed immediately upon the outbreak of the war.

Ecuador was in the best position of these four countries. Its economic life depends largely on the exportation of cocoa and the very large crop of last year had practically been marketed before the outbreak of the European war. Ecuador, moreover, is not a country of large commercial enterprise and the readjustment to the new conditions was easier for her than for her neighbors.

The principal complaint of the north-coast countries is that since the first of August practically all credit has been withdrawn and they have been unable to obtain their usual supplies. Naturally they felt this most keenly in the matter of foodstuffs. They had been accustomed to long credits from Germany and England and to somewhat shorter credits from the United States. Upon the outbreak of the war, however, even thoroughly responsible houses found

it difficult and at times impossible to obtain goods on credit either from Europe or from this country. The result of this has been a marked falling off in the import trade and a corresponding decrease in the export trade due to the inability to market their principal products. These products are coffee (which is by far the most important), hides, cocoa, gold, and rubber. In Venezuela the previous year's crops had not been wholly marketed by the first of August and the harvesting of the new crops was made difficult because of the lack of money. The immediate cost of gathering the crops of Venezuela amounts to \$2,000,000 or \$2,500,000 which for several years has been supplied by German firms. General stagnation in business resulted with a consequent rise in prices and reduction in salaries. The government of Venezuela cut the salaries of government employees in half and this example was followed to a certain extent by commercial houses. Biscuits, canned meats, cheese, butter, ham, flour, lard, sugar, cotton goods, drugs and medicines, ironware, machinery and other commodities rose from 15 to 20 per cent in price, while rice, one of the most important staples of Venezuela, increased by 40 per cent. These conditions have pretty generally prevailed in Venezuela up to the present time.

In Colombia, as in Venezuela, prices rose on practically all imported foodstuffs, especially rice. This condition has continued to a greater or less extent up to the present. In Colombia, however, one or two features of the situation seem to give promise of more prosperous times in the near future. One of the noticeable features of the situation has been that the government, although considerably affected by the new conditions, has not defaulted in the payment of its interest obligations abroad. A month or two after the war a decided improvement in conditions at the principal port was reported and the outward cargo movement considerably increased. A later report about the first of January noted that the commercial situation was improving, that exports were normal although there were many unemployed. In the Guianas the principal export is sugar and they have therefore not felt the effects of the war so keenly. Their trade, in fact, is not far from normal. Throughout all the north-coast countries as well as throughout the countries of Central America, the inability to market the coffee and other products at good prices and the difficulty of getting the usual imports

on the expected credit terms have created a depression which will hardly disappear before the close of the war.

III. Thus in all parts of the continent there was a paralysis of nearly all activities immediately following the beginning of the great war, and this was followed by a natural revival which was feeble or strong according to the character of the resources of the various sections and the state of affairs preceding the war. In spite of the unfavorable outlook in July, the River Plate countries, or at least Argentina and Uruguay, have recovered most quickly and show the greatest signs of prosperity. This is due in large part to the fact that their chief products are in demand across the sea and very good crops have given them a large surplus for export. By the end of January the exports of all principal products except linseed from Argentina had about reached normal proportions and shipments of all grains, meat and wool have been heavy since the first of the year. The following figures of exports of these products will show the increased volume of the trade over last year, and will serve as a contrast to the comparative figures for August and September previously quoted:

Exports for week ending	Wheat Metric tons		Corn Metric tons		Linseed Metric tons	
	1914	1915	1914	1915	1914	1915
January 29	39,858	23,679	37,322	78,049	46,134	19,619
March 12	56,146	109,426	13,519	62,354	50,815	40,352
	Oats Metric tons		Wool Bales			
	1914	1915	1914	1915		
January 29	31,309	50,185	13,321	16,860		
March 12	9,273	20,526	6,050	20,456		

These figures show that the lifeblood of the country is coursing freely. Prices received for these products are good, and deposits amounting to as much as \$5,000,000 a week are being made in Argentine legations in Europe. Imports, on the other hand, as

indicated by the customs receipts, are still far below normal. At the Buenos Aires custom house the receipts for 1915 up to March 12 were \$6,477,411 paper, as against \$12,863,005 paper and \$372,311 gold for the corresponding period last year. The proportion of receipts to this date in 1915 as compared with 1914 is hardly greater than that of the receipts last August as compared with the previous August.

The following figures will show the steady advance in the volume of business transacted by the banks since last July. They represent the movement in the Bankers' Clearing House at Buenos Aires (figures are in terms of Argentine paper peso, worth \$0.424 U. S. Currency):

Months	1913-14	1914-15
July.....	1,495,935,402	1,144,762,179
August.....	1,322,112,617	446,626,599
September.....	1,372,702,435	664,191,953
October.....	1,447,982,009	739,126,362
November.....	1,249,818,887	814,168,216
December.....	1,407,140,798	1,016,845,465
January.....	1,414,180,605	992,918,636
February.....	1,212,189,351	1,056,520,090

A report of March 8 stated that wheat exports to that date had aggregated 1,200,000 metric tons, or about 44,000,000 bushels, which was more than the entire exports of the 1913-14 crop. The report further says that the crop of all grains at that time promised to be one of the best ever harvested in the country.

The rate on money, which remained at $8\frac{1}{2}$ to 9 per cent during all the latter months of 1914, has been lowered to 7 per cent and even lower, at which figure it stood on March 8.

All this indicates that the country is getting on a sound basis financially, and the coming of prosperity would seem to depend more upon careful management and the restoration of confidence than anything else. The liquidation that has been under way for a year or two, however, is not yet ended, as the record of commercial failures in February shows. The liabilities of these failures amounted to \$8,561,685, as compared with \$13,105,001 in February of last year. This was a notable decrease, but on the other hand, although February is a shorter month than January, the liabilities exceeded those of the previous month which were \$6,504,-027. The country is not yet out from under the cloud that has

been hanging over it for two years, and recovery must be gradual. It is said, however, that a decided spirit of optimism prevails and the return before the year is very old to normal times or better is looked forward to.

The recovery of Uruguay is also noticeable, although it is still gradual. Wool shipments up to the middle of March were running only about half those of the previous year, the figures for the 1913-14 season (beginning October 1) being 82,361 bales up to March 12, while those for the corresponding period of the 1914-15 season were 44,121 bales. It may be added that of the shipments this year 24,673 bales went to Genoa as compared with 2,854 bales in the corresponding period of the previous year, and 7,114 bales to the United States, as compared with 9,138 bales. The smaller shipments this year are due partly to the lack of shipping facilities, unfavorable service, and unfavorable exchange rates. The import trade is slowly improving, as is evidenced by the gradual gain in customs revenue, about one-seventh of which comes from export duties and the rest from import duties. The figures of receipts from the customs in each month from last July to February are shown in the following table (these figures are for Uruguayan pesos; peso = \$1.034 U. S. currency):

	1913-14	1914-15
July.....	1,320,517	1,105,750
August.....	1,372,658	829,732
September.....	1,378,187	831,592
October.....	1,179,810	806,026
November.....	1,111,329	707,652
December.....	1,248,386	893,877
January.....	1,422,127	942,270
February.....	1,269,502	925,246
Total.....	10,302,520	7,042,149

The figures for February are somewhat misleading on the surface, as that month has but 28 days. The daily average for February was 10 per cent higher than for January.

The recovery noted in the River Plate region, however, has not been duplicated in Brazil. That country has yet to find a pathway out of the financial and economic ills with which the war and the previous national extravagance have surrounded it. The salvation of the situation seems to depend on the wisdom and resourcefulness of the present government.

Although some observers regard the situation as desperate, it has some favorable elements. Chief of these is the strong position of the banks, which have throughout followed a wise and prudent course, and have been able in the last few months to fortify themselves because of the lack of demand for loans and discounts. On December 31, the cash on hand in the Banco do Brasil and the six leading foreign banks was 60.3 per cent of the demand deposits. It must also be considered that the revival of business in the crisis of 1898 was very rapid after the reorganization of the country's finances, and this may occur again. The present import tariff is said to be much too high, and not only increases the cost of living but keeps down the revenue derived from the customs. A revision of this tariff is likely to take place during the coming session of Congress in May and this may be of benefit not only in relieving internal conditions but also in providing a sorely needed addition to government receipts of gold. If in addition to this the government can obtain considerable loans from the United States (though this is doubtful) its finances may again be set in good order. One feature of extreme importance is the fact that coffee can be stored for years without deterioration, and the surplus that cannot be marketed now will therefore not be a dead loss. The government is doing all it can to establish new agricultural industries such as cotton-raising in the north and cattle and fruit-raising in the south. These efforts if successful will put the country on a sounder basis, although nothing is to be expected from these enterprises in the immediate future. It will be interesting to observe what the genius of the Brazilian people can accomplish in extricating the country from this accumulation of economic difficulties.

Figures showing features of the present situation as compared with that a year previous follow:

	January 1914	January 1915
Federal customs revenue	7,961,333 milreis	3,179,383 milreis
Federal inland revenue	2,153,347 milreis	2,260,690 milreis

Clearances of coffee at Rio de Janeiro and Santos for the week ended February 18 amounted to 427,795 bags, as against loadings of 399,995 bags. Sales of only 127,539 bags were declared at the two ports, as against 273,684 bags for the previous week and 105,795

bags for the corresponding week last year. Entries at the two ports for the week amounted to 319,075 bags, as against 321,648 for the previous week and 123,600 for the week ended February 19 last year. For the crop entries to February 18 were 9,761,849 bags, as against 11,784,861 bags last year. The total cleared from the two ports to February 18 was 8,154,118 bags, valued at £16,546,395 as against 10,737,956 bags valued at £31,373,128 last year.

The heavy drop in quotations of government and industrial securities from 1914 is indicated in the following list, showing quotations for February 20 of the two years (from *Wileman's Review*, Feb. 23, 1915):

	1914	1915
4 per cent, 1889.....	75½	51½
Funding, 1898, 5 per cent.....	101	98
Funding, 1914.....	..	74½
1910 4 per cent.....	74	52
Sao Paulo 1888.....	97	91½
Sao Paulo 1913.....	99½	89½
Leopoldina stock.....	73½	36½
Sao Paulo Railway, Ordinary.....	243½	189
Traction Ordinary.....	91½	50½
Brazil Railway.....	32	7
Dumont Coffee Co. (Ltd.).....	10	8½
Consols.....	76½	68½

Recent advices from Chile are meager and it is thought the country is for the present doing little more than marking time. A report, however, dated February 23, is to the effect that the production of nitrates since August, 1914, has been as follows: August, 4,830,233 Spanish quintals; September, 2,856,600 quintals; October, 2,865,494 quintals; November, 2,659,875 quintals; December, 2,428,759 quintals; January, 1915, 2,082,549 quintals. This is compared with an average monthly production from January to July of 5,404,729 quintals. It will thus be seen that although the output is dropping off slowly month by month it is yet 40 per cent of normal. Stocks are accumulating and it is estimated that there is now enough nitrate on hand to supply a year's export at the usual rate. It is understood that the enterprises in which American capital is in control, nitrate factories and copper mines are continuing active. The increase in copper prices (as noted on page 94) has created considerable optimism among the producers of that metal in Chile,

and it is believed that a number of mines and smelters forced to close down will be reopened or have been so already.

In Peru certain favorable basic elements have led to the gradual improvement of conditions and considerable optimism prevails. This optimism is illustrated by the views of a prominent business man connected with a large American export house doing an extensive business in Peru.

The country is producing on a scale much greater than its consumption and this leaves in its favor a balance of trade representing solid gain. The most important product of this country is sugar, the production of which is increasing daily and it would not surprise me to see the production for 1915 reach a total of 5,000,000 quintals, which at the prices ruling today represents a value of 30,000,000 soles (sole=48.6 cents), of which sum it is probable that 12,000,000 soles go to the producer. Also in cotton, although the year's crop will be very inferior and although the price of Egyptian is less than that ruling in previous years, there is still a margin of profit for Peruvian producers that is relatively satisfactory, and as for the asperos (rough) and semi-asperos cottons, they are selling at exceptionally high prices. Copper is higher today than before the war, and the same with rubber. The wool of ewes and alpacas is bringing very good prices, as well as all the by-products, skins, furs, etc., encountering an easy and profitable market. Inasmuch as Peru is producing normally and can find satisfactory markets for its products, the country is in an exceptionally favorable position. It is a basis so solid and so secure that it augurs an excellent future, even within the critical era through which we are passing.

Furthermore, the general financial situation of the country has improved notably. The issue of banknotes was a sheer necessity because there does not exist sufficient gold in the world, nor will there be, to allow any country to do without paper money. We have been very fortunate in securing a paper issue so strongly guaranteed as that at present in circulation and thus we have a solid base for the financial organization of the country. It is necessary that all of the institutions of the country protect the banknote in every way possible in order to prevent its depreciation. The lack of silver change, which at the beginning was very accentuated, owing to the fact that all of the banknotes were launched upon the Lima market, has already become less marked, and as the banknotes have been circulated through the Provinces the supply of silver money has adjusted itself in such a manner that today throughout the country there is sufficient silver for necessities.

The industrial life of the country is also slowly returning to more normal conditions. Although many establishments are not working up to their full capacity they are operating sufficiently to give their employees enough income to meet their living expenses, and, as a result, in no part of the country are there men out of work, except a very small percentage. Peru in this way is in a very fortunate position and the country has not been forced to face the famine conditions which today exist in many countries of the world.

The government revenue has declined considerably through the decrease in

the customs returns but there has been a similar decrease in all countries. The increase of the revenue from other sources will largely meet this deficit while the remainder would naturally be covered by the economies which the government should practice, as all private individuals with foresight are practicing economies today.

The increase in copper prices in recent months has been one of the chief causes of the better trend of events in Peru. The range of copper prices since January, 1914, as quoted for Peru in accordance with the London standard, was as follows:

1914 Month	Price per metric ton	1915 Month	Price per metric ton
January.....	\$312.92	January.....	\$300.79
February.....	317.63	February.....	306.59
March.....	312.80	March.....	321.67
April.....	315.09		
May.....	307.47		
June.....	298.49		
July.....	295.59		
August.....	No quotations		
September.....	No quotations		
October.....	No quotations		
November.....	259.02		
December.....	276.61		

Late in March one of the large mining concerns was operating at about 70 per cent of normal and another, an American company and the largest in Peru, was operating at 85 per cent of normal.

In the north-coast countries, as in Central America, the principal hope of greater prosperity, at least while the war continues, lies in closer relations with the United States. A project has been under way for some time looking to the establishment of an American bank in one or both of the north-coast countries and if this is effected it will have an excellent influence on the commercial situation. These countries sadly need capital and credit, and both of these, it is hoped, will be forthcoming from the United States as soon as our business men become better acquainted with conditions there. Better steamship facilities are also a requisite. These, if provided in the near future, will greatly brighten the outlook for Colombia and Venezuela. As it is now, however, business must await this assistance or the closing of the war before it can expect a return to normal conditions.

It was only natural that when the crisis arose at the outbreak

of the European war the countries of Latin America should look to the United States for assistance. They have looked and are looking to the United States to supply a market for their surplus products, to secure the credit for making new purchases, and to advance the loans to take the place of European capital which has been withdrawn. Heretofore South American countries have known as little about the United States as this country has known about South America or perhaps even less. Mutual understanding and acquaintance are necessary before the United States can take even in part the place which Europe occupied before the outbreak of the war. This process of getting acquainted is going on as rapidly as might be expected. With the establishment of banking institutions such as the branches of the National City Bank in Argentina, Brazil, and Uruguay, a great advance may be expected in the promotion of more intimate relations between the United States and Latin America.

The pertinent question which every manufacturer and exporter must ask himself, however, is whether or not conditions in South America warrant his taking up the active development of that market. It has been my purpose in the brief review which I have made of the situation immediately following the outbreak of the European war and the recovery which has been accomplished to date, to give the necessary facts for forming a judgment on this point.

The most important aspect of the situation, however, and one which should count most in determining our trade invasion of Latin America is not so much the present conditions there, which on the whole promise hope, but rather the attitude of the American manufacturer and exporter. The American manufacturer should use, in developing the Latin American market, the same sane, common-sense business methods which he has so successfully used in developing the domestic markets in the United States. The manufacturer or merchant who treats the Latin American field as one which is not amenable to the application of the same business methods as he would use at home is not going to be successful.

Whether the American business man thinks that he can get immediate orders in South America or whether he thinks he cannot, his program of action should be substantially the same. It is absolutely necessary that before thinking of making profits out of this

new market which he expects to develop he should give it very careful study. Now is the time for the American manufacturer to lay the foundations of future business in Latin America; now is the time, in spite of any handicaps which may exist in the present commercial or financial situation in Latin America, for the American business man to lay the foundations for future trade; now is the time to send out his investigators, to send out his business diplomats to study and report on the possibilities; now is the time to make his connections and form trade relations which he can follow up and develop in future years.

The countries of Latin America which were almost paralyzed commercially, industrially, and financially by the outbreak of the great European war are showing remarkable vitality and are gradually recovering. It cannot be expected that they will fully recover their normal prosperity before the close of this war, but on the whole they have already gone much further toward recovery than might have been expected from an analysis of the situation which confronted them immediately after the first of August.